

MEMORANDUM

NATIONAL SECURITY COUNCIL

CONFIDENTIAL

May 6, 1980

INFORMATION

MEMORANDUM FOR: ZBIGNIEW BRZEZINSKI

FROM: TIM DEAL

SUBJECT: Grain: Your Meeting with Martinez de Hoz (U)

Tom Thornton asked me to provide comments on State's briefing paper for your meeting today with Martinez. I find the statements relating to grain in the covering memo and Tab C inaccurate and misleading. State asserts that Argentina has lived up to its commitments, that Argentina believes it is carrying a disproportionate share of the economic burden of the embargo, and that we have undercut Argentina in its traditional grain markets. The facts are: (C)

-- The weakness of the present embargo is due to heavy Argentine sales of grain to the USSR. Argentina will ship 5.3-6.0 million metric tons (MMT) of grain to the USSR in the current marketing year, nearly twice the highest previous year. The Argentines have just concluded a new trade agreement with the USSR which provides for yearly minimum purchases of 5MMT. (C)

-- Publicly, Argentina has said it is not government policy to take advantage of our restrictions on trade with the USSR. But it is also unwilling to support a boycott or interfere with normal market demand. Privately, Martinez claims that Argentina has asked the Soviets to limit their grain purchases, and actual exports are in line with what Martinez told Goodpaster. Thus, Argentina has lived up to its commitments, in a technical sense, but it has done little to restrain sales to the USSR. (C)

-- The argument that the US is undercutting Argentina in its traditional markets is highly questionable. The high price premium on Argentine grain is the main reason why Argentina's traditional customers are looking elsewhere. Argentina's feed grain harvest was reduced by drought, and it sold virtually its entire export crop to the USSR. Argentina has no grain to sell to its traditional customers. (C)

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Review on May 6, 1986

Department of State, A/GIS/IPS/SRP

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-- Argentina has not suffered economically. On the contrary, it has obtained massive windfall profits through substantial price premiums on its grain exports. The price is so high that there is only one buyer: the USSR. (C)

I agree with Tom that you should avoid specifics in your discussions, but if Martinez resorts to the arguments listed above to defend Argentine performance, you should at least have some ammunition to counter them. I recommend that you make three general points;

-- Note that the US, not Argentina, is bearing the economic cost of responding to Soviet aggression.

-- Point out that Argentina is becoming excessively dependent on the USSR (USSR is Argentina's largest agricultural customer)

-- Urge Martinez to cut back shipments to the USSR below current levels and note that Warren Christopher will be discussing this issue with Martinez in greater detail. (C)

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